

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 /125 W

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R 311739Z JAN JUI

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5382

DEPARTMENT TREASURY

INFO AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BONN 01876

USEEC, USMTN, USOECD

E.O. 11652: GDS

TAGS:ENRG, ETRD, EFIN, GW, JA, EEC

SUBJ: USHIBA MEETINGS IN BONN, JANUARY 24-25

1. SUMMARY: THE JAPANESE FOREIGN TRADE MINISTER
USHIBA WAS IN BONN JANUARY 24-25, ON THE SECOND STOP
OF HIS EUROPEAN TOUR. WHILE HERE HE MET WITH
MINISTER LAMBSDORFF AND STATE SECRETARY ROHWEDDER OF
THE ECONOMICS MINISTRY; MINISTER GENSCHER AND STATE
MINISTER VON DOHNANYI OF THE FOREIGN OFFICE; AND
PRESIDENT EMMINGER OF THE BUNDESBANK. ALL DISCUSSIONS
COVERED THREE MAJOR TOPICS -- THE US-JAPANESE AGREEMENT,
THE INTERNATIONAL ECONOMIC SITUATION, AND FRG-JAPANESE
BILATERAL QUESTIONS. GERMANS URGED JAPANESE TO BUY
SUCH EUROPEAN PRODUCTS AS AIRBUS AS WELL AS URANIUM
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ENRICHMENT SERVICES FROM URENCO. END SUMMARY.

2. US-JAPANESE AGREEMENT: USHIBA EMPHASIZED THE
GLOBAL NATURE OF THE PROGRAM. WHILE THE INCREASE IN
IMPORT QUOTAS FOR BEEF AND ORANGE JUICE WERE BENEFICIAL
TO THE US, THEY WERE GLOBAL QUOTAS. FURTHERMORE, THE
ADVANCE TARIFF CUTS WHICH WERE UNILATERALLY OFFERED BY

THE JAPANESE BEFORE THE CONCLUSION OF THE MTN WERE DESIGNED TO BE MORE HELPFUL TO THE EUROPEANS THAN THE AMERICANS.

3. THE GERMANS EXPRESSED REAL SKEPTICISM THAT A SEVEN PERCENT GROWTH RATE WOULD BE ACHIEVED THIS YEAR, AND THOUGHT FIVE PERCENT MORE REALISTIC. THE GREATEST INTEREST WAS IN JAPAN INCREASING THE PROPORTION OF MANUFACTURED GOODS IN ITS TOTAL IMPORTS. USHIBA POINTED THAT WHILE THE JAPANESE DOMESTIC DISTRIBUTION SYSTEM WAS DIFFICULT TO PENETRATE, THERE IS NO DISCRIMINATION AS SUCH AGAINST EUROPEANS. HE SAID EUROPEAN COMPANIES HAVE BEEN SELLING MAINLY LUXURY GOODS AND MORE EFFORT SHOULD BE MADE TO SELL TO THE MASS MARKET AT LOWER UNIT PROFITS. FURTHERMORE, THE JAPANESE HAVE SPENT A GREAT DEAL OF TIME AND MONEY ON RESEARCH AND SALES PROMOTION TO PENETRATE EUROPEAN MARKETS, AND THE EUROPEANS SHOULD DO LIKEWISE TO PENETRATE THE JAPANESE MARKET.

4. FOREIGN AID: WHILE THE JAPANESE COMMUNIQUE PROMISED AN INCREASE IN FOREIGN AID, FRG OFFICIALS ARE DUBIOUS. IN THEIR ESTIMATION, IT WILL BE ONE OF THE LAST PRIORITIES OF THE JAPANESE GOVERNMENT, AND ANY INCREASE WILL BE IN THE FORM OF BILATERAL AID TO ITS ASIAN NEIGHBORS.

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5. GOVERNMENT PROCUREMENT: THE JAPANESE GOVERNMENT INTENDS TO EXPLORE THE POSSIBILITY OF OPENING JAPANESE GOVERNMENT PROCUREMENT TO FOREIGN SUPPLIERS. USHIBA SAID A RECENT EXAMPLE WAS A PURCHASE BY THE JAPANESE MINISTRY OF LABOR OF A LARGE US COMPUTER.

6. WORLD ECONOMIC SITUATION: DISCUSSION CENTERED ON THE LOCOMOTIVE THEORY. UNDERSTANDABLY, BOTH SIDES FELT THAT ALL COUNTRIES MUST EXPAND DEMAND AND THAT A BALANCE MUST BE STRUCK BETWEEN INCREASING DEMAND AND PRICE STABILITY. BASED ON EMPHASIS IN PRESIDENT CARTER'S ECONOMIC MESSAGE ON NEED FOR STABILITY AS WELL AS GROWTH- FRG OFFICIALS REPORTEDLY SAID THEY WERE HOPEFUL THAT US WILL HAVE GREATER UNDERSTANDING AT UPCOMING ECONOMIC SUMMIT MEETING FOR GERMAN AND JAPANESE VIEWS ON THIS PROBLEM.

7. USHIBA MEETING WITH EMMINGER: AT USHIBA'S REQUEST EMMINGER DESCRIBED GERMANY'S EXPERIENCE WITH CURRENT ACCOUNT SURPLUSES IN THE 1950'S AND 1960'S. THE GERMANS TRIED THEN TO INCREASE THEIR IMPORT OF MANUFACTURED GOODS AND TO ENCOURAGE THE OUT-FLOW OF CAPITAL. EMMINGER EMPHASIZED THAT THE GERMAN MARKET IS COMPLETELY OPEN TO

INVESTMENT BY US COMPANIES SUCH AS IBM AND GENERAL
MOTORS. EMMINGER'S DEPUTY, POEHL, WARNED USHIBA THAT,
THE JANUARY COMMUNIQUE WOULD RESULT IN A SHORT PERIOD OF

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CALM, BUT THAT AFTER SIX MONTHS WITH SMALL PERCEPTIBLE
RESULTS, THE US ATTITUDE TOWARD JAPAN WOULD PROBABLY
BECOME CRITICAL AGAIN.

8. IN DISCUSSING THE GERMAN ECONOMY EMMINGER REPORTEDLY
SAID THE PREDICTION OF A 3.5 PERCENT GROWTH RATE WAS
POSSIBLE BECAUSE, EVEN THOUGH GROWTH WOULD BE SLOW IN THE
FIRST HALF OF THE YEAR, THE PROSPECTS WERE GOOD FOR FAST-
ER GROWTH IN THE SECOND HALF' BRINGING THE AVERAGE UP TO
THE DESIRED LEVEL. WITH RESPECT TO THE WORLD ECONOMY,
EMMINGER SAID THERE MUST BE AN ENERGY BILL IN THE U.S.
SOON; OTHERWISE, THERE WILL BE SERIOUS LOSS OF CONFI-
DENCE IN THE DOLLAR. WHAT IS NEEDED NOW IS A PERIOD OF
CALM IN EXCHANGE MARKETS RATHER THAN FURTHER SPECULATION.

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9. BILATERAL FRG/JAPANESE RELATIONS: WHILE THERE ARE NO OUTSTANDING BILATERAL PROBLEMS, ROHWEDDER PROPOSED AN INFORMAL GERMAN-JAPANESE COMMITTEE TO FACILITATE TRADE. IT WOULD STUDY SUCH PROBLEMS AS DIFFERENCES IN AUTOMOBILE INSPECTION REQUIREMENTS AND CHEMICAL STANDARDS. BOTH THE FOREIGN OFFICE AND THE ECONOMICS MINISTRY URGED THE JAPANESE TO BUY URANIUM ENRICHMENT SERVICES FROM URENCO AND TO CONSIDER PURCHASING THE AIRBUS. ALSO DISCUSSED WAS THE POSSIBILITY OF JAPANESE/GERMAN TECHNICAL COOPERATION IN THE FIELD OF COMMERCIAL AIRCRAFT.

10. COMMENT: THE US RECENTLY GAVE ASSURANCES TO EUROPEANS THAT US-JAPAN CONSULTATIONS WERE NOT DIRECTED AGAINST EUROPE, BUT WERE CONCERNED WITH RESTORATION OF BALANCE BETWEEN JAPAN AND THE WORLD ECONOMY. DURING USHIBA VISIT, JAPANESE REINFORCED US ASSURANCES. JAPANESE AND GERMANS ALSO DISCUSSED CONCRETE MEASURES TO PROMOTE JAPANESE IMPORTS, WHICH SHOULD ALSO BE SUPPORTIVE OF US POLICY. GERMAN EFFORTS TO SELL AIRBUS AND URENCO ENRICHMENT SERVICES, HOWEVER, MAY NOT BE QUITE SO FAVORABLE TO US INTERESTS.
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